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Consolidated Procurement Study

Final Report
December 1985

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December 3, 1985

Mr. F. Don Durham, President
Transportation Association of South Carolina
Post Office Box 837
Columbia, South Carolina 29202

Dear Mr. Durham:

Wilbur Smith and Associates is pleased to submit this report on a Consolidated Procurement Program for the Transportation Association of South Carolina (**TASC**).

We have found that a wide range of consolidated procurement opportunities exist for **TASC**. Our recommendations are for **TASC** to become involved on a selective basis in brokerage/negotiation; central information resources; and, potentially, insurance. Furthermore, we have concluded that similar programs are almost non-existent in other state transportation associations. Therefore, the implementation of these recommendations would make **TASC** somewhat unique among similar organizations.

Respectfully submitted,

WILBUR SMITH AND ASSOCIATES



David R. Danforth
Project Director

DRD/rd

CONSOLIDATED PROCUREMENT STUDY SUMMARY

Purpose

- Goods/service consolidated procurement opportunities
- Types of consolidated procurement programs
- * Organization
- Evaluation

Conclusions

- * Consolidated procurement by state transportation associations is rare.
- Eligibility for utilization of **S.C.** and other state procurement systems is common for some products.
- **TASC** membership likely to be best served through combination of brokerage, negotiation and information resources. Direct purchasing by **TASC** also a possibility.
- Vehicle liability **insurance** of primary concern nationally. **TASC** might wish to consider joint purchase or pool, but more study needed.
- Information source (vendor list, **DBE/WBE** list, product technical data, sample specification) could be valuable to members,

Recommendations

- Brokerage/Negotiation: negotiate agreements for purchase/lease discounts with major supply chains, companies with service departments, etc.
 - Vehicle supplies (batteries, hoses, fluids, etc.)
 - Tires (purchase or lease)
 - Routine Maintenance and Service (Tune-ups; adjustments; rotation; oil/lubrication; battery, shock, brake, muffler service).
- Insurance: either negotiate master insurance contract and administer it or develop and administer pooled self-insurance program (a less active role is also described below).
- Information Resource: compile and distribute vendor lists, suggest specifications, prepare standardized bid/selection procedures, make other information available for otherwise independent procurement by the membership.
 - Vehicles
 - Major vehicle components and specialized equipment such as wheel-chair lifts
 - Shop equipment
 - Major repair and maintenance
 - Fuel
 - Office supplies, equipment, furniture
 - Professional services - legal, accounting, architectural, **engineering**
 - Marketing/advertising
 - Insurance - assist members in locating carriers

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Chapter 1

INTRODUCTION AND SUMMARY

The Transportation Association of South Carolina (**TASC**) is a professional organization dedicated to the improvement of public transportation in the State. One of its principal objectives is to aid members in dealing with problems and in particular for this study to provide a mechanism for financial savings for purchases by **TASC** members.

Study Purpose

TASC is similar to many professional organizations in that it is comprised of independent organizations and individuals who have some interest in public transportation. Some members are providers of either public or specialized transportation; others such as government officials, suppliers, etc. do not provide transportation but perform other services related to transportation. Some agencies are very small; some are large. The key issue for this study is that each is independent and that each provider is more or less alone in obtaining goods and services necessary to perform its transportation function.

It is possible that by acting independently in procurement activities, each organization may be paying more for some goods and services than it might through a centralized procurement system. In addition the total manpower and administrative cost for this practice might be higher since the independent organizations currently engage in duplicative procurement efforts.

The Consolidated Procurement Study was initiated to examine these issues and to address the following general topics:

- * What goods and services offer an opportunity for cost/efficiency improvements through a consolidated procurement system? Will a consolidated procurement program be an attractive benefit of membership in the Association?
- * What types of consolidated procurement might be most appropriate for each general commodity or service needed by **TASC** members?
- * What organizational and procedural steps are necessary to **implement** a system?
- * How can the system be evaluated?

Study Approach

In order to address the preceding questions, the following tasks were performed in this study and discussed in the remainder of this report.

1. Review Existing Programs
2. Analyze Potential for Consolidated Procurement of Individual Goods and Services
3. Develop Consolidated Procurement Procedures
4. Develop Organizational Framework for Consolidated Procurement
5. Develop Procurement Evaluation Procedures

Summary of ~~Conclusions~~ and Recommendations

This study has examined a wide variety of potential consolidated procurement alternatives. Basic conclusions from this analysis are as follows:

- * Consolidated procurement in some form could be of benefit for some goods and services but not for others as discussed below.

- * The membership is likely to be better served if **TASC's** role is more in the area of brokerage, negotiation, and information resource rather than in centralized purchasing. A possible exception might be in the area of insurance.
- * The brokerage and negotiation role would be performed through the active solicitation of goods and service purchases that **TASC** members could individually obtain at discount. That is, **TASC** would seek and negotiate favorable master purchase terms that members could use if they wished. This role would likely require more central staff and staff time than is presently utilized by the **TASC** management services company.
- * The insurance role could also require a much greater administrative involvement by **TASC** if the Association becomes involved in joint purchase contracts or a pooled self-insurance program. This role could include vehicle insurance as well as health and life insurance for an employee benefit plan.
- * A less active but nevertheless equally important role for some goods and services would be for **TASC** to act as a resource for vendor lists, suggested specifications, bid/purchase procedures, and other information that members could utilize independently.

In view of the preceding conclusions, the recommendations for **TASC** involvement in procurement are as follows:

- * Brokerage/Negotiation: negotiate agreements for purchase/lease discounts with major supply chains, companies with service departments, etc.

- Vehicle supplies (batteries, hoses, fluids)
 - Tires (purchase or lease)
 - Routine Maintenance and Service (Tune-ups; adjustments; rotation; oil/lubrication; battery, shock, brake, muffler service).
- * Insurance: either negotiate master insurance contract and administer it or develop and administer pooled **self-**insurance program (a less active role is also described below).
- * Information Resource: compile and distribute vendor lists, suggest specifications, prepare standardized bid/selection procedures, make other information available for otherwise independent procurement by the membership.
- Vehicles
 - Major vehicle components and specialized equipment such as wheelchair lifts
 - Shop equipment
 - Major repair and maintenance
 - Fuel
 - Office supplies, equipment, furniture
 - Professional services - legal, accounting, architectural, engineering
 - Marketing/advertising
 - Insurance - assist members in locating carriers

Chapter 2

ANALYSIS OF CONSOLIDATED PROCUREMENT OPPORTUNITIES

Purchasing by the **TASC** membership is no different than for most businesses. Office supplies, production equipment (vehicles), maintenance, insurance, and professional services are needed in order to function, and it makes little difference if the purchaser is in the private sector, is a non-profit aging program, or a regional transportation authority. For this organization, the purchases run from paper clips to buses and vary in volume from less than **\$1,000** in fuel purchases for some members to more than **\$150,000** in fuel purchases for others.

Several key points which guided this study emerge from the above simple comparisons:

- * **TASC** members purchase a variety of goods and services.
- * The level of purchases for particular goods and services varies considerably.
- * **TASC** members have different needs and functions and generally operate independently from each other.
- * To be effective and useful, this study must approach the potential for consolidated procurement with respect to tangible benefits to a majority of **TASC** members. To be of tangible benefit, **any** consolidated procurement program must offer real savings in terms of unit cost, administrative cost, procurement time, availability etc. Furthermore it must recognize the differing needs of its members.

Analytical Procedure

The following method was used to evaluate the potential for consolidated procurement among the **TASC** membership.

- * Literature search
- * Selected interviews in other states
- * Selected interviews in South Carolina
- * Development of evaluation criteria
- * Evaluation of general groupings of goods and services

Summary of Literature Search and Selected Interviews

An initial step of the study was to review the transportation literature on the subject of procurement and to interview organizations in other states. Procurement by individual properties and organizations is dealt with extensively in the professional literature, but consolidated procurement is not. One conclusion, therefore, is that consolidated procurement by independent organizations is rare. However this conclusion was further tested through direct discussions with representatives of a sample of states.

The following points emerged from the literature search and interview process and were used as guidance throughout the study:

Existence of Consolidated Procurement Programs - The initiative for what consolidated procurement exists is generally at the state government level although there is some in state associations similar to **TASC**. This practice appears to result from state control of Urban Mass Transportation Administration (**UMTA**) funds for the Section **16(b)(2)** elderly and handicapped and the Section **18** rural programs. Urban funds (Section **9**) appear to be

less under consolidated procurement because of the manner in which these funds are granted directly to urban areas.

State and Local Procurement - Some states including South Carolina allow transportation providers to use the state procurement system for some purchases. These purchases include vans, passenger automobiles, some buses (usually light transit vehicles or school buses), office supplies, office equipment, furniture, fuel, and insurance. However, this eligibility does not always result in utilization. Even though extensive bidding procedures are avoided through state procurement, individual organizations sometimes obtain better prices independently or have other reasons such as the need to spend funds locally or meet Disadvantaged Business Enterprise (~~DBE~~) requirements.

Standardized Procedures - Most states require operator recipients of state and federal funds to follow standardized procurement procedures. Several have published manuals which address topics such as bid procedures which vary by contract dollar value, sample specifications by vehicle type, specialized equipment specifications, life cycle cost analysis, acceptance testing, and documentation.

Contract Types - Different ~~types~~ of purchase contracts exist. For example, definite quantity contracts describe the article (sometimes very detailed), quantity, price, delivery date, payment terms, penalties, acceptance testing, etc. Indefinite quantity contracts describe the article, price, etc. but not the specific quantity. The first type of contract is common for vehicles, equipment, and bulk purchases such as fuel. Indefinite quantity contracts are sometimes used for fuel and supplies.

Liability Insurance - Vehicle liability insurance programs for public transportation are almost in turmoil. Some public

transportation entities are experiencing double and triple premium increases with less coverage. Others are having difficulty in finding any insurance. State contracts, if available, may not provide sufficient coverage. Consolidation in some manner has been widely discussed for the procurement of insurance programs.

Life and Health Insurance Employee Benefits - Some of the interviews indicated some interest in offering these types of benefits through **TASC** membership. Potentially it could be part of an employee benefit package for some members.

Practices of State Associations

A number of other states have public transportation associations similar to **TASC**. Interviews of most of these associations are summarized in Table 1 which indicates consolidated procurement is almost non-existent. Following are some of the key observations resulting from the interview process:

- * Buyer/Negotiator - Only one association, Arkansas, has a program in which the association itself acts in a consolidated procurement program. This association purchases tires for its members. However, it has no warehousing and delivery system; orders are delivered directly to the members.
- * Vehicle Insurance - Because of the current crisis in transit industry insurance, this topic is of primary concern to representatives of the associations interviewed. Several states are beginning to consider some type of joint insurance program for members but have performed no detailed feasibility studies. One other state association, Wisconsin, was instrumental in starting a joint insurance

Table 1

CONSOLIDATED PROCUREMENT ACTIVITIES OF SELECTED
STATE PUBLIC TRANSPORTATION ASSOCIATIONS

<u>STATE</u>	<u>BUYER/NEGOTIATOR</u>	<u>VEHICLE INSURANCE</u>	<u>HEALTH/ACCIDENT INSURANCE</u>	<u>OTHER</u>	<u>PROCUREMENT INFORMATION RESOURCE</u>
Alabama		Considering Group Commercial Insurance	Considering		
Arkansas	Tires	Considering Pooled Self Insurance		Considering Marketing	DBE/WBE List
California		Considering Group Commercial Insurance			Informal
Florida					Informal
Illinois					DBE/WBE Lists, Informal
Iowa				Considering Marketing	Informal
Kansas					Informal
Michigan	Considered Joint Purchase Program	Considering Group Commercial Insurance	Considering	Considering Procurement Manual	Informal
Mississippi					Informal
Missouri		Tried Pooled Self Insurance			Informal
North Carolina					Informal
South Carolina					Informal
Tennessee					Informal
Virginia					Informal
West Virginia					
Wisconsin		Considering Group Commercial Insurance Yes, from Related Organization			Informal Informal Vendor Lists, DBE/WBE Lists

SOURCE: Wilbur Smith and Associates

program through a separate organization, the Wisconsin Municipal Transit Commission. Another state, Missouri, tried to start a self-insurance program in **1984**, but did not generate sufficient interest at the time.

- * Employee Health/Accident Insurance - Some states have considered this type of insurance but found that most member employees already had such coverage through existing programs such as those offered by governmental agencies.
- * Other Activities - Some state associations have considered joint marketing programs for the smaller members but have not started any programs. Also one state is considering a procurement manual to aid its membership.
- * Information Resource - Most of those interviewed indicated that they were an informal information resource for procurement activities. That is, they shared vendor lists or allowed vendor displays at meetings. Additionally, the associations allowed the opportunity for the informal sharing of vendor information, specifications, etc. Finally, some associations assisted members by identifying vendors who were Disadvantaged or Woman-owned Business Enterprises.

Evaluation Factors

The preceding discussion illustrates the broad nature of consolidated procurement and, unfortunately, the general lack of programs which can be used as models for **TASC**. How to evaluate whether or not a particular product or service should be in a **TASC-sponsored** program then becomes the question. To answer that question, the following evaluation factors were developed and applied to typical purchases by **TASC** members.

Potential for Product/Service Cost Savings - This factor is the key element of the **evaluation**. Two general possibilities are possible for these savings. First, **TASC** could act as a buyer on behalf of its membership. Alternatively, **TASC** could act as a broker or information resource between the supplier and **TASC** members. As a buyer for the membership's behalf, **TASC** could potentially achieve cost savings through volume discounts, direct negotiation of favorable rates, the use of standardized specifications, use of "off the shelf" items, etc. The second method also might be appropriate and could be available as a benefit of membership.

Potential for Reduction of Member Administrative Costs - The administrative cost of procurement can be high because of the need to prepare detailed specifications, to prepare requests for bid packages, to evaluate bids, etc. **TASC** might be able to assist in this procedure by either performing these functions directly or by providing vendor lists, suggested specifications, etc.

Logistics Aspects of Consolidated Procurement - Since the **TASC** membership is widely dispersed geographically, the logistics of a consolidated program could be difficult. Accordingly the products and services must be evaluated in terms of the storage and delivery system.

Existence of Established Procurement Programs - Some form of consolidated procurement already exists for some members. For example, some members are eligible to utilize state procurement, and have used it for vehicles, fuel, furniture, office equipment, etc. If this procedure works to the satisfaction of the members, then there is little compelling reason to create a competing program unless it is to offer an alternative.

Potential Need for Independent Procurement - Despite the potential financial benefit of consolidation for some purchases, some members may need to make independent purchases for other reasons. A primary example of this need would be the desire to foster goodwill by buying locally. Another example would be the federal requirement to utilize **DBE/WBE** goals in purchasing.

Evaluation of ~~Individual~~ Products or Services

Purchases by the **TASC** membership encompass a wide range of products and services; but for this analysis the purchases were divided into general categories. The potential for consolidated procurement for each ~~fo~~ these categories was then evaluated in terms of the factors described earlier as well as the experiences in other states. A summary of this evaluation is presented in Table 2.

Buses - The potential for direct cost savings through consolidated procurement is considered to be low for buses because of the variety of needs of **TASC** members as well as the relatively small number of units that would be purchased at once. However, administrative costs could be reduced if **TASC** acted as an information resource. One way would be for **TASC** to maintain a library of vendor material for these types of vehicles. This material could include pictures, technical data, and approximate cost ranges. It could assist members by providing this information as well as vendor lists which could be used in the solicitation process. **TASC** could also assist in consolidated procurement by preparing suggested standard specifications that members could use in the bidding process. The other evaluation factors are not really applicable to bus procurement. For these reasons it is suggested that **TASC's** role would be in the information area rather than direct involvement.

Table 2

POTENTIAL CONSOLIDATED
PROCUREMENT OPPORTUNITIES

PRODUCT OR SERVICE	PROCUREMENT ACTIVITY	
	BUYER/NEGOTIATOR	OTHER
Buses		Vendor list, sample specifications
Vans	-	Vendor list, sample specifications
Special Equipment	-	Vendor list, sample specifications
Shop Equipment	-	
Major Components	-	Vendor list, sample specifications
Vehicle Supplies/Parts	Central purchase or standard contract	Vendor list
Tires	Central purchase or standard contract	Vendor list
Routine Maintenance	Standard contract	
Fuel		Vendor list
Office Supplies		Vendor list
Office Equipment	Standard contract	
Office Furniture		Vendor list
Vehicle Insurance	Joint purchase	Vendor list
Marketing	Joint marketing	
Professional-CPA, Legal, A&E		Vendor list

NOTE: Vendor lists could also include special lists of **DBE** and **WBE** vendors.

SOURCE: Wilbur Smith and Associates

Vans - The potential for direct cost savings through joint purchasing is high because of the number of units and the general commonality of the vehicles. However, these savings have already been recognized through the state purchasing system. That is, for eligible buyers such as Section 16 (b) (2) programs, a consolidated procurement system is already in place. The reduction of administrative cost is also possible through a central system because the need for the bidding process at individual agencies would be eliminated. For **TASC** members that are not eligible for state procurement or otherwise do not choose to utilize this service, **TASC** could offer a vendor data library, vendor list, and suggested specifications for the use of members. The need for procurement at local dealerships might also be strong for this product category. To summarize, the suggested role for **TASC** is information and technical assistance.

~~Special Equipment~~ - Wheelchair equipment, safety equipment, and fareboxes are examples of special equipment that some **TASC** members typically purchase. However, the direct cost saving potential is low due to the small number of units involved. The administrative costs of independent procurement could be reduced if **TASC** also included this type of equipment in its library of vendor information, supplier lists, and sample specifications. Independent procurement is also not a factor since these items are not available locally except for some safety equipment. Therefore, the suggested **TASC** role is information and technical assistance.

~~Shop Equipment~~ - The relative infrequency and low unit volume of purchases for major shop equipment is **likely** to result in a low potential for consolidation of this category. That is, major cost savings probably could not be realized through **TASC** involvement as a direct buyer/negotiator. Similarly, there

would not appear to be a role as an information resource since these types of suppliers are common. Additionally, this type of purchase is likely to be suited to local procurement due to the general availability. For these reasons, it is recommended that **TASC** not be involved in consolidated procurement of shop equipment except for possibly the compilation of **DBE/WBE** vendor lists.

Major Components - In this category would be engines, transmissions, rear ends, air conditioning units, etc. Centralized procurement is likely to be ineffective because of the low volume of purchases. Potentially, administrative costs might be reduced if **TASC** provided vendor lists and specifications. There would be no need for a warehousing and delivery system operated by **TASC** because the products would likely be delivered directly to **TASC** members; therefore **TASC** involvement in logistics seems unnecessary. The recommended **TASC** role for this category is in the provision of information.

Vehicle Supplies and Parts - The suggested **TASC** role for this product category is more active than those discussed above. The members purchase a large amount of supplies and parts, and the potential for cost savings could be significant through a consolidated system. Major savings in administrative cost would not be expected since the dollar amounts of individual purchases are usually low enough to reduce the administrative cost of formal bidding. The logistics of a centralized system are likely to be quite involved if **TASC** were to become involved in warehousing and delivery to its members. Local procurement is likely to be the preferred method for this type of product. However, it appears possible for **TASC** to provide a benefit to members but at the same time to allow for local procurement. It is recommended that **TASC** consider becoming either a central buyer or a negotiator for vehicle supplies and parts. It could operate as Arkansas

does for tires and buy these products for members at a negotiated discount. Delivery could be directly to the user, and a ~~TASC-operated~~ warehousing/delivery system would be unnecessary. Alternatively, **TASC** could negotiate member discounts for supplies and parts; in this case **TASC** would not be involved in purchasing at all. In either case, purchasing and negotiating could be with major automotive supply companies that typically operate from many locations, and the **TASC** member could essentially buy locally.

Tires - It is recommended that **TASC** consider assisting its membership in the purchase or lease of tires for the same reasons as discussed for vehicle supplies and parts. It is discussed separately because transit systems sometimes lease rather than buy tires. With the potential volume of a consolidated procurement system, **TASC** might be able to obtain similar treatment for other members.

Routine Maintenance - For those **TASC** members without shops, direct savings in routine maintenance and service might be possible through **TASC** involvement. Independent action is the standard now, and it is generally performed locally at automobile dealerships, independent garages or service departments of major chains or franchises. It is recommended that ~~TASC's~~ role be as a negotiator with major chains or franchises. Typical types of service that might be included are service for brakes, mufflers, shock absorbers, and minor service such as tuneups, oil and lubrication, coolant replacement, filter and belt replacement, etc.

Fuel- Bulk purchases of fuel can result in significant cost savings, and some members are taking advantage of their volume buying power now. However, administrative cost savings of a

consolidated fuel procurement program are likely to be low in relation to the direct cost savings. Of course, the logistics of fuel procurement are complicated because of the need for local outlets. Consequently a consolidated fuel distribution system already exists through state purchasing, and some members use it. Because gasoline stations are largely independently operated it would appear unlikely that a **TASC** - sponsored discount program would be possible. Consequently, it is recommended that **TASC** not become directly involved in fuel procurement. However, one area of indirect involvement is suggested. **TASC** could be a central resource for a **DBE/WBE** fuel supplier list.

Office Supplies - Even though competition is strong for office supplies, the costs are still a significant item for most organizations. Consequently, there would seem to be a role for a consolidated procurement system to take advantage of volume discounts. Administrative costs, on the other hand, would not be significantly reduced through such a system. Distribution would have to be at the local level due to the variety of items and the number of buyers. This product category is already included in the state system; therefore a consolidated system already exists. Office supply stores are common, and some members find it convenient to buy locally. For these reasons it would seem that a **TASC** - sponsored system would not be beneficial. However, the **DBE/WBE** vendor list might be one service that **TASC** could provide.

Office Equipment - The unit cost of office equipment such as copiers, typewriters, and microcomputers is high and therefore a potential for volume or member discounts might exist. Some administrative costs might also be saved through a central system. However, the number of units regularly bought by **TASC** members might not be large enough to justify a volume discount. Office equipment is another common category available through the state

system, and some **TASC** members already utilize this system. For others the need to purchase locally is strong since office equipment businesses are common. **TASC's** recommended role is as a negotiator for discounts from national suppliers. For example, some franchised computer stores and copier manufacturers have discounting programs.

Office Furniture - Discounts are sometimes available locally for office furniture, but the volume of purchases by **TASC** members is probably too low to justify **TASC** involvement in a consolidated procurement program. State purchasing is also available for furniture. Consequently, the suggested **TASC** role is only in the compilation of a **DBE/WBE** vendor list for those members that might want to use it.

Vehicle Insurance - The transit insurance industry is undergoing considerable changes, and this topic is of primary importance to nearly all people interviewed for this study. In recent years the goal was how to achieve lower premiums through group purchase. However, now the goal in many areas is finding coverage at any price. Several of the state associations as well as the American Public Transit Association and the American Bus Association are taking action for their members. Many of the state associations are considering programs of joint insurance from the commercial market or pooled self-insurance. Through such programs, both direct cost savings and administrative cost savings might be achieved. The large number of potential organizations might allow some reduction of individual premiums by spreading risk over a large number of entities. Pooled **self-insurance** is another possibility which has been discussed as a means of providing coverage at reasonable cost in the absence of willing insurers. Administratively, this alternative would require more in-house **TASC** support than a joint commercial program. Therefore it is recommended that **TASC** consider a joint

purchase program if a detailed feasibility study indicates membership interest. Alternatively, **TASC** could provide an information service by maintaining a list of insurance carriers for use by members.

Marketing - The development of a marketing program can be expensive for a small property, and budgets are usually inadequate for effective programs. A joint program sponsored by **TASC** might be one way to develop common themes and promotional **campaigns** that member properties could apply in their geographic areas. The cost of a joint marketing program would likely be less than independently developed programs.

Professional Services - Most **TASC** members have the need for legal and accounting services, and some have need for architectural, engineering, or special consulting services. For legal and accounting services, there is a strong tendency to use local firms, particularly for routine work. However, situations could arise in which specific experience might be needed, but the local firm might not be knowledgeable of the subject. **TASC** could assist in this type of procurement by maintaining a directory of firms with specific skills and experience that member organizations might need.

Chapter 3

APPLICATION OF CONSOLIDATED PROCUREMENT OPPORTUNITIES

This chapter further develops the recommendations of Chapter 2 by examining each of the suggested procurement activities: development of vendor lists, development of sample specification, and the use of central purchasing or standard contracts. Additionally the subject of insurance is presented separately because of the timeliness of this topic.

Development of Vendor Lists

One of the major suggestions given in the last chapter was for **TASC** to act as an information resource by maintaining lists of suppliers of products or services that **TASC** members might use. **TASC's** role would go no further than the maintenance of current information; it would not be involved in bidding, purchasing, or other procurement activities. Furthermore it would likely maintain a neutral position with respect to the merits of particular vendors.

Suggested Products or Services - The suggested types of products or services for which **TASC** might maintain information are:

- * Buses - light, medium-duty
- * Vans - by passenger capacity
- * Special Equipment - wheelchair lifts, fareboxes, radios, safety equipment
- * Shop Equipment - hydraulic lifts, electrical test equipment, engine analyzers etc., jacks, welding equipment

- * Major Components - air conditioning units, engines, transmissions, rear ends
- * Vehicle Supplies/Parts - sub assemblies, consumables
- * Tires - purchase or lease
- * Fuel - gasoline, diesel
- * Office Supplies - consumables
- * Office Equipment - Copiers, calculators, dictation equipment, microcomputers, telephones, typewriters
- * Office Furniture - desks, chairs, tables, file cabinets
- * Insurance - brokers, carriers
- * Professional Services - legal, accounting, consulting

Sources of Information - Most of this information is available through existing directories, professional publications, or through the experience of the **TASC** membership. Some of these sources include:

- * American Public Transit Association (~~APTA~~) Directory - contains supplier section
- * ~~Passenger Transport~~ - weekly newspaper published by **APTA**; contains advertisements and occasional listings
- * Mass Transit - monthly magazine; contains advertisements and directories of manufacturers, suppliers, and consultants
- * Metro - monthly trade magazine; contains advertisements and occasional directories of suppliers
- * SC Department of Highways and Public Transportation - information on vehicle suppliers, **DBE/WBE** listings
- * **TASC** membership - members have a wealth of information; for example, the vendor list for one **RTA** has over **120** businesses shown.
- * Vendors - Some suppliers will provide detailed information if asked.

- * Other States - Ohio, for example, has a vehicle catalog which lists vehicles by type, technical data, pictures etc. It also includes ancillary equipment.

Types of Information - It is suggested that **TASC** maintain files which would include the following by major product or service category:

- * Name, address
- * Product/service category
- * Descriptive material, technical data
- * Brochures
- * Pictures
- * Typical prices

The above would be for information that could be used by the members as they wished. **TASC's** obligation would be to try to keep the information reasonably current. However, it would be unlikely that **TASC** (or any other organization) could maintain comprehensive information because of the large number of vendors and potential sources of data.

Special DBE/WBE Lists - Several organizations interviewed for this study indicated that there is a distinct need for lists of disadvantaged or woman-owned vendors so that recipients of **UMTA** funding can meet their **DBE/WBE** goals. **TASC** could perform a service to its members by compiling such a list for this purpose.

Sample Specifications

A second recommendation for a **TASC** role in consolidated procurement is to prepare sample product specifications for its

members. Individual members could then use this information in the preparation of bids.

~~Suggested Products~~ - Specifications prepared on behalf of **TASC** members would be limited to major purchase items such as

- * Buses
- * Vans
- * Special Equipment
- * Major Components

~~Sources of Specifications~~ - Several states have developed detailed procurement manuals for their Section **18** programs, and it is suggested that one or more of these be used for guidance by **TASC**. Three of these states provided documents that would be useful in the development of specifications or other product information:

- * Arkansas - **8-12** passenger vehicle with raised roof and lift
 - **10-20** passenger wide body bus with lift
 - Two-way mobile radio
 - Farebox**
 - Bus stop signs
- * Colorado - **12-15** passenger van with wheelchair ramp
 - Modified van with lift
 - Small bus with lift
 - Large bus with lift
- * Ohio - Pictures, technical data, and manufacturers for vans, light transit vehicles, and buses
 - Pictures, technical data, manufacturers, and specifications for emergency equipment; stanchions; rustproofing; wheelchair lifts, ramps, and restraints; jump seats; radios; air conditioning; tires; seats.
 - Cost data

Items to be Specified - Specification writing can be quite detailed and complex; and if this recommendation is to be implemented, specifications would have to be developed for a variety of products. Examples of the components that might be specified include:

- * Buses - Chassis, frame, wheel base, rear axle and differential, suspension system, engine, transmission, drive shaft, brakes, wheels and tires, steering, radiator and coolant system, battery, alternator, gauges, fuel tank capacity, gas cap, horn, hood latch, wipers, undercoating, radio, body structure, passenger door and stepwell, interior, floor, windows, emergency exits, doors, mirrors, seats, grab rails and stanchions, interior and exterior lights, heating, paint, insulation, safety equipment, wiring, wheelchair lifts and tie downs, air conditioning, warranties.
- * Vans - Same
- * Wheelchair Lifts and Restraints - power, vertical and horizontal clearance, controls, floor, static load, guard rail, belt restraint, wheel locks
- * Radios - frequency, squelch, noise blanker, time-out timer, mobile to mobile operation, interchangeability, microphone, lock, antenna, base station transmitter, receivers
- * **Farebox**- Trip handle, mounting, lights, lockable vaults and keys, viewing plate

Central Purchase/Standard ~~Contracts~~

The third principal recommendation would require direct involvement by **TASC** because it would be active in product purchasing or in price negotiations on behalf of the members.

~~Suggested Products or services~~ - **TASC** involvement in direct purchasing or price negotiation is recommended for the following:

- * Vehicle Supplies/Parts - central purchase or standard contract
- * Tires - Central purchase or standard contract
- * Routine Maintenance - standard contract
- * Office Equipment - standard contract

~~Operation of a Central Purchase System~~ - Under this alternative, **TASC** would take on the entire purchasing function for certain products. Members that wished to participate in this service would obtain their product from **TASC** which would perform the buying on the members' behalf. **TASC** would first determine the members' needs on a regular basis such as annually. It would then prepare specifications and bid packages; review the responses; and award contracts. These contracts could be for fixed price and quantities or could be for fixed price and indefinite quantities. Members would be relieved of the administrative burdens but would have to use the vendors selected by **TASC**. Arkansas is the only state surveyed for this study that has such a system, and this program is limited to tires.

~~Operation of a Standard Contract System~~ - A related alternative would be for **TASC** to negotiate discounts with suppliers, but not be involved in the purchasing process. Members would be notified that particular suppliers will give discounts for specific products; the member would then use that supplier, if desired. This alternative would reduce **TASC's** administrative role, but it would take active involvement in dealing with major suppliers.

~~Examples of Central Purchasing or Standard Contracts~~ - To accomplish either central purchasing or standard contracts, **TASC** would likely deal with the marketing or sales organizations of major manufacturers, distributors, or national and regional

chains. Smaller, independent firms might be inappropriate because they might not be dispersed enough geographically to meet the needs of the **TASC** membership. Some of the companies might include:(1)

- * Automotive Parts/Supplies Distributor - **NAPA**, Carquest, Parts Plus, Quality, Whites, Western Auto, Sears, K-Mart, etc.
- * Tires - Bridgestone, Cooper, Dayton, Firestone, General, Goodrich, Goodyear, **Toyo**, Uniroyal, major dealers such as those above, etc.
- * Routine Maintenance - **Aamco**, Brake King, Midas, Precision Tune, Whites, Western Auto, Sears, K-Mart, etc.
- * Office Equipment - **Acta** Fax, Monroe, Computerland, Remington Rand, Royal, IBM, **Savin**, Addressograph, Burroughs, NCR, Dictaphone, Hewlett Packard, **Lanier**, Eastman Kodak, Texas Instruments, **3M**, Victor, Xerox, etc.

Vehicle Liability Insurance

Two general methods are possible for a potential **TASC** - sponsored program of vehicle insurance. One is to use joint insurance from the commercial market, and the other is to have a pooled self-insurance program with excess coverage from the commercial market. While a detailed insurance feasibility study

(1) These companies are for illustrative purposes only, and the list cannot be considered to be comprehensive. Their inclusion or absence is neither an endorsement or lack of endorsement by the author. Additionally their inclusion or absence does not imply whether or not they would participate in the suggested programs.

is beyond the scope of this consolidated procurement study, some of the principles of each are discussed below.

Joint Insurance - With this type of insurance, **TASC** would hold the master contract, and participating members would pool the risks in order to reduce premiums which are rapidly escalating. The allocation of the premium could be on the basis of premiums currently paid for individual coverage so that participants would share in any savings. The association would assume the administrative cost, would solicit bids, award the contract, institute risk management procedures, and allocate the premiums.

Pooled Self-Insurance - Under this alternative, participants would establish a pool of funds that could be used directly for insurance coverage or could be used for excess coverage by members. The sponsor, **TASC**, would control investment income from the fund; availability for some members would be assured; and an active risk management program could reduce losses.

Both of the above alternatives involve considerable involvement by **TASC** as well as risk management professionals. However, it is likely that the self-insurance program would require more "in-house" expertise because this alternative would essentially take the place of at least part of the commercial coverage.

Vendor List - A less involved alternative to either of the above suggestions would be for **TASC** to keep a list of active insurance carriers that individual members could then work with independently.

Chapter 4

IMPLEMENTATION OF A CONSOLIDATED PROCUREMENT PROGRAM

An extensive set of recommendations has been made for this consolidated procurement study, and these can be summarized into five general groupings:

- * Central Purchasing/Standard Contract Negotiation
- * Compilation of Vendor Lists and Product Information
- * Development of Sample Specifications
- * Consideration of Joint Insurance
- * Consideration of Joint Marketing

Within each group are specific recommendations as discussed in the last chapter.

The implementation of these recommendations is the subject of this final chapter. However, it is recognized that with a professional organization such as **TASC**, the implementation of all of these recommendations would be unlikely. Therefore it is recommended that **TASC** use a phased approach in order to implement the most important (in **TASC's** viewpoint) suggestion first.

The implementation of almost any recommendation would make **TASC** somewhat unique among similar organizations in other states. The interviews conducted for this study indicated that almost no consolidated procurement activity is being conducted by transportation associations.

Initial Steps

All of the recommendations require some initial, common steps before implementation. Basically the first step would be to obtain more follow-up information from **TASC** members. Of course, several members were interviewed for this study, or information was obtained from other contracts. However, the suggestion here is to conduct a comprehensive member survey of the transportation providers.

The recommended transportation-provider survey would be relatively simple and would focus on three topics for each of the product or service categories discussed in this report: current budget, current supply sources, and potential interest in a TAX-sponsored consolidated procurement program. A suggested survey form is presented in Table 3.

Central Purchasing/Standard Contract Negotiation

The basic assumption of this recommendation is that some form of **TASC-sponsored** program could lead to price discounts, administrative cost savings, or other savings due to volume or consolidated purchasing. The key to implementation of this recommendation is the knowledge of how much the membership buys now and how much it might buy through a **TASC** program.

The survey discussed in the previous section will provide the information necessary for the selection of specific products that appear to a potential for significant savings. **TASC** representatives can then approach vendors of these target products concerning discounts or other favorable terms that the vendors might be prepared to offer in order to gain **TASC's** business. That is, **TASC** would be actively involved in negotiating terms, prices, discounts, direct delivery, etc.

Table 3

RECOMMENDED MEMBER PURCHASING SURVEY
TRANSPORTATION ASSOCIATION OF SOUTH CAROLINA

Dear **TASC** Member:

The Association is considering the implementation of a Consolidated Procurement Program for the benefit of the **members**. Through **such** a program, members might be able to purchase **some** goods and services at lower prices than are available for individual purchases. Other assistance that **TASC** is considering is the provision of vendors lists, technical data, and sample specifications for a number of products.

Your assistance is needed so that **TASC** can develop a program that **meets** the needs of the membership. Please fill **out** the following **table** to help us in this effort.

Very truly **yours**,

F. Don Durham
President

1. What is your present transportation budget for the products **or** services listed?
2. What are your present sources for these products **or** services? Use more **than** one if necessary.
A) State procurement **B) Formal** Competitive Bidding **c)** Direct Purchase
D) Other
3. What services would you use if **TASC** provided them? Use more than one if necessary.
A) Purchase through **TASC** **B)** Use **TASC-negotiated** discount from particular vendors **C)** Use vendor lists, product information compiled **by TASC** **D)** Use sample specifications for guidance **E)** Would not use **TASC.**

<u>PRODUCT OR SERVICE</u>	<u>1985 BUDGET</u> (1)	<u>PRINCIPAL -SOURCES-</u> (2)	<u>TASC SERVICE</u> (3)
Bus			
Vans			
Special Equipment (Lifts, Fareboxes, Safety). .			
Shop Equipment			
Vehicle Supplies/Parts			
Vehicle Major Components.			
Tires			
Fuel			
Office Supplier			
Office Equipment			
Office Furniture			
Vehicle Insurance			
Marketing			
CPA, Legal, Special Consulting			

Organization Name _____

Central purchasing would be more involved because **TASC** would have to determine member needs, prepare bid packages and specifications, evaluate bids, award contracts, and administer purchases. Accordingly an information/ordering system would be needed so that members could place orders to **TASC**. It is recommended that deliveries be directly to members; therefore, no ~~TASC-operated~~ warehouse or delivery system is recommended.

If **TASC** operated only as a negotiator of standard contracts on the behalf of members, then it would not have to initiate an "in-house" order and administration system.

In order to implement this step, it will be necessary to provide information to the membership. For a central purchasing system the necessary information would include products available, price, delivery terms, payment terms, as well as standard order forms etc.

The information that would be provided to **TASC** members if a negotiated standard product contract is offered would include a listing of products covered, companies included in program, terms, etc. Additionally, a means of identifying **TASC** members to vendors would have to be developed.

Finally, it is recommended that an effectiveness monitoring system be established. With a central purchasing system, this step will be relatively because all of the ordering information will be available. For products or services that members obtain through ~~TASC-negotiated~~ standard contracts, an annual survey is suggested.

Information Resource

If **TASC** chooses to implement a procurement information resource program, much less would be involved at the association

level even though this role could be of significant indirect value to members.

A large number of products or services could be included as discussed in this report. However, it is suggested that **TASC** concentrate on those potential purchases that the comprehensive survey suggests are the most important to members.

The development of an information library of product data etc. could be relatively easy in comparison to the more active role recommended earlier. The sources listed in the last chapter contain much of the information, and it would only be necessary to compile it and keep it current. Information from the **TASC** files could then either be distributed on request or summarized annually by product category.

The preparation of sample specifications is somewhat more involved but much has already been published. **TASC's** role would be to compile useful information and distribute it in a manner similar to that described above.

An annual monitoring and follow-up process on the use of this service is also recommended. If this information service is not useful to the membership, then it should be discontinued.

Insurance

Vehicle liability insurance is a complex subject and is of much concern at this time. A considerable amount of action (and reaction) is occurring nationally as policies are not renewed or premiums are raised substantially.

Insurance purchasing was included in this Consolidated Procurement Study because it is a service needed by **TASC** members. However, of necessity, the depth of analysis was

limited due to the level of effort allowed to cover all of the topics associated with procurement. Therefore the principal recommendation regarding insurance is to consider some form of joint or pooled insurance program if a detailed study establishes the feasibility of such action.

The recommended feasibility study would necessitate an examination of existing coverages of members and the analysis of what might be expected from a TAX-sponsored program. A listing of the types of basic information needed before a recommendation could be made is presented in Table 4.

Marketing

Some interest in joint marketing efforts has been expressed in other states, and it would appear that the similarities of this state's Regional Transportation Authorities (**RTA**) might lead to some common marketing needs. However, more study is recommended to identify the markets being served and the markets that ought to be served, to develop common themes, and to develop common marketing programs. Additionally the study would also have to recognize the differences between **RTA's**.

Organizational Requirements

All of the recommendations contained in this report would require additional levels of effort by **TASC** if they are to be implemented. However, different resource requirements would be required depending on the recommendations. Table 5 presents estimates of the levels of effort and technical expertise that might be needed for a Consolidated Procurement Program.

Table 4

INFORMATION NEEDED FOR COMPREHENSIVE
INSURANCE STUDY

Transportation Providers

1. Agent, insurance carrier
2. Location
3. Annual premium
4. Passenger types, fees charged
5. One way trips
6. Vehicle-type, make, model ~~year~~, seats, wheelchair positions, lifts, ramps, annual miles
7. Drivers by category
8. Extent of driver training, driver records
9. Use of safety belts - driver, passenger
10. Safety inspections
11. Use of self insurance

Insurance Companies

1. Policies written
2. Years of writing public/human service agency transportation policies
3. Use of rating sheets, codes
4. Use of assign risk
5. Underwriting considerations - driver age, fleet size, mileage, location, type of trips, vehicle type, passenger capacity, etc.
6. Premium by vehicle type
7. Claims experience
 - a. Cancellation experience.

SOURCE: Social Service Transportation Study, prepared for California Department of Transportation by Wilbur Smith and Associates, 1982.

Table 5

RECOMMENDED RESOURCE REQUIREMENTS
CONSOLIDATED PROCUREMENT PROGRAM

<u>RECOMMENDATION</u>	<u>EFFORT</u>	<u>SPECIAL QUALIFICATIONS</u>
Develop Vendor Lists	3 Person Weeks Initially 1 Person Week Annually	None
Develop Sample Specification	4 Person Weeks Initially 2 Person Weeks Annually	Product Technical
Central Purchasing	6 Person Months Initially 3 Person Months Annually	Purchasing, Product Technical
Standard Contracts	6 Person Months Initially 2 Person Months Annually	Purchasing, Product Technical
Joint Insurance	2-3 Person Months Initially 2 Person Months Annually	Insurance, Transportation
Self Insurance	2-3 Person Months Initially 4 Person Months Annually	Insurance, Transportation
Marketing	4 Person Months Initially	Transportation Marketing

SOURCE: Wilbur Smith and Associates

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